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Supreme Court of the United States

OCTOBER TERM, 1954

No. 281

SPECIALTIES DEVELOPMENT CORPORATION,
Petitioner,

v.

RANDOLPH LABORATORIES, INC.,
Respondent.

RANDOLPH'S BRIEF IN OPPOSITION TO SPECIALTIES' PETITION FOR CERTIORARI

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I

Petitioner contends that the statute (35 USC, Sec. 284) as amended in 1946 made interest on a judgment for damages in an infringement suit mandatory from the date of the infringement, notwithstanding the fact that no Court has ever so ruled. In fact, petitioner is apparently the first litigant in the eight years that the amended statute has been in force to suggest that the amendment *could be* so construed.

As appears from the petition itself, the Courts throughout the country, including this Court, have for many years allowed such interest where "special circumstances" justified such award, but not otherwise.

The amendment to the statute in 1946 was plainly for the purpose of giving statutory sanction to the practice

which had been universally followed for so many years. Petitioner would have the words "as fixed by the Court" deleted from the statute.

In the case at bar the petitioner's demand for interest was specifically refused by the District Court. The petitioner's position is not that the District Court abused its discretion in refusing interest, but is apparently that the District Court had no discretion to refuse the interest asked for. Petitioner's position finds no support in the wording of the statute or in the editorial comments of the publishers of the U. S. Code. In neither of the comments quoted on page 14 of the petition is there any suggestion that the unnamed commentators construed the statute as making an award of interest *mandatory*. The statute *is* mandatory in requiring that an award of general damages shall be not "less than a reasonable royalty". If the Congress had intended to make an award of interest also mandatory, the statute would no doubt have read:

> ". . . but in no event less than a reasonable royalty, including interest from the time the infringement occurred, together with such costs as may be fixed by the Court."

The plain purpose of the amendment to the statute was to abolish the recovery of "profits" which had proven over the years a very unsatisfactory and costly method of arriving at a monetary judgment for patent infringement and which had frequently resulted in the patentee receiving nominal damages only because of his inability to prove what profits were due to the use of the invention covered by the patent in suit, as distinguished from the profits due to some other invention not so covered.

The amended statute does not preclude the recovery of *actual* damages such as loss of sales and the like, which may be proved, but instead provides an *additional* basis

upon which a patentee "shall be entitled to recover", namely, "damages adequate to compensate for the infringement." In addition the statute makes it mandatory that such damages shall be "in no event less than reasonable royalty". To read any other portion of the statute as "mandatory" does violence to the English language.

II

We find no foundation at all in the record for the second question which petitioner says is presented.

The judgment determining the scope and validity of the patent pursuant to which the award of damages was made, is the judgment of the Court of Appeals. The Court of Appeals found that the master's evaluation of the patent was not in accord with its judgment.

> "The master found that the patent dominated the use and salability of fire extinguishers and his award of a 7% royalty was based upon that premise. It is clear, however, that the finding of domination was erroneous. This Court in its opinion denying Randolph's petition for leave to reopen the District Court's interlocutory adjudication of the validity of the Mapes patent pointed out that it is limited in scope to the use of a recoil preventing safety device of the type described in the specification of the patent, namely, one which without hindering the escape of gas so diffuses its flow as to prevent recoil. The evidence is uncontradicted that except in one instance the defendants did not grant licenses to the industry for the use of the device of the Mapes patent but reserved this device for their own use as a competitive feature of their fire extinguishers. The defendants concede that many of their competitors used a different safety device" (Opinion, Pet. App., 22-23).

There is nothing in the opinion of the Court of Appeals for the Third Circuit from which it can be inferred that the Court did not understand that the patentee was entitled to recover damages "adequate to compensate for the infringement", or that their award was anything other than the Court's determination on the evidence of what was adequate compensation for the infringement.

The opinion of the Court of Appeals also deals with the *mandatory* provision of the statute. It finds that 3% "appears to be established in this industry as a reasonable royalty for the use of the essential device of a patent dominating the field". Certainly 2% is not less than a reasonable royalty under a patent covering a device whose use is optional, as found by the Court.

We know of no case where this Court has concerned itself with purely factual issues such as presented by petitioner's "second question".

The petition should be denied.

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OCTOBER TERM, 1954

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SPECIALTIES DEVELOPMENT CORPORATION,
Respondent,

v.

RANDOLPH LABORATORIES, INC.,
Cross-Petitioner.

RANDOLPH'S CROSS-PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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RANDOLPH'S CROSS-PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

To THE HONORABLE, THE CHIEF JUSTICE AND ASSOCIATE JUSTICES OF THE SUPREME COURT OF THE UNITED STATES:

Your petitioner, Randolph Laboratories, Inc., respectfully prays for a Writ of Certiorari to the United States Court of Appeals for the Third Circuit to review an order of that court entered on July 21, 1954, modifying and affirming, as modified, a judgment of the District Court in the above entitled case awarding damages for infringement of Reissue Patent No. 18,839 directed to a safety device for a portable carbon dioxide fire extinguisher. The District Court awarded general damages of $263,312.40 to the patentees, Specialties Development Corporation. The Court of Appeals found the award "grossly excessive" and reduced it to $75,232.12. Specialties filed a petition* for

* No. 281, filed August 13, 1954.

certiorari to this Court seeking a review of the Court of Appeals modification of the District Court's award accompanied by the required copies of the proceedings in the Courts below. We are advised that the copies so filed may be used in connection with this cross-petition. In petition No. 281 the parties are referred to as Specialties and Randolph, respectively. We will do the same in this petition.

Opinions Below

The opinion of the Court of Appeals for the Third Circuit affirming the judgment sustaining the patent is reported in 178 F. 2d 477. A supplemental opinion modifying the judgment in certain minor particulars is reported in 185 F. 2d 403. An opinion of the Court of Appeals denying a petition for leave to file a motion to reopen is reported in 199 F. 2d 680. The opinion of the Court of Appeals modifying and affirming the final judgment of the District Court awarding damages for the infringement is reported in 213 F. 2d 873.

Jurisdiction

The jurisdiction of this Court is invoked under 28 U. S. C. Section 1254(1).

Statement

On the basis of the facts established by the evidence before the Master in the accounting, Randolph urged before the Court of Appeals that Specialties was estopped to assert against Randolph any claim for damages based on the patent in suit, because (I) of its conduct with respect to the reissue patent in its dealings with Randolph; and (II) of its conduct in procuring the reissue. The Court of Appeals held that the conduct complained of did not constitute a bar to the recovery of damages. This petition seeks a review of this ruling of the Court of Appeals.

I

The infringing fire extinguishers were first offered for sale by Randolph in 1941. Specialties immediately advised Randolph that such extinguishers infringed its Minor patent No. 1,760,274. A license under the Minor patent to make the infringing extinguishers was offered to Randolph and was declined on the ground that the Minor patent was anticipated. The case at bar was initiated by Randolph in 1945 as a suit for a declaratory judgment that the Minor patent No. 1,760,274 was invalid. On more than one occasion during the interval between the marketing of the extinguishers by Randolph in 1941 and the filing of the complaint herein, the charge of infringement of the *Minor* patent, the offer of a license thereunder and its refusal for the stated reasons were repeated, but at no time prior to the filing of the counterclaim herein on November 28, 1945 was any mention made of the Mapes reissue patent. No charge was made that the extinguishers for which a license was offered under the Minor patent also infringed the Mapes patent and the Mapes patent was not included in the license offered. Upon the facts stated Specialties may not, *after action is taken on its charge of infringement of the Minor patent* be heard to assert that *the same act* constitutes infringement of its Mapes patent.

II

In 1926 a portable carbon dioxide fire extinguisher was placed on the market by the Fyre-Freez Co., a subsidiary of the General Carbonic Company. General Carbonic was taken over by Liquid Carbonic in 1929 and the Fyre-Freez subsidiary was sold to Walter Kidde & Co.,* the real party in interest here. Walter Kidde & Co. was at that time marketing extinguishers of the construction shown in the

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* Specialties is a wholly-owned patent holding subsidiary of Walter Kidde & Co.

Mapes reissue patent here in suit, the original application for which was filed November 14, 1929. The Mapes extinguisher is substantially the same as the earlier Fyre-Freez extinguisher except that the recoil preventing device in the discharge outlet is a "diffusion tip" instead of a ball check, both devices being, *per se*, old.

Kidde made and sold the Fyre-Freez extinguishers for a brief period but thereafter continued with a model which embodied the anti-recoil device of the Mapes patent and the horn of the Minor patent, which patent had been acquired with the purchase of the Fyre-Freez Co.

The original Mapes patent did not contain claim 16, the only claim upon which the award of damages here is based. The patent was reissued on the asserted ground that its claims did not adequately cover the invention, and three broadened claims, 15, 16 and 17 were obtained. The application for the reissue was filed by Mr. Carson, a full time employee in the patent department of Kidde & Co. Mr. Carson and Mr. Mapes, the patentee, have been employed by Kidde & Co. since prior to the acquisition of the Fyre-Freez Co. by Kidde & Co.

Claim 16 of the reissue reads as follows:

> "The combination with a high pressure gas container and gas release device therefor, of a recoil preventing safety device arranged to have a conducting means attached thereover to permit the delivery of gas to the conducting means from the container without the necessity of removing the recoil preventing device."

The Fyre-Freez extinguisher which was on sale for more than two years prior to the application for the Mapes patent contained "a recoil preventing safety device arranged to have a conducting means attached thereover to permit the delivery of gas to the conducting means from the container without the necessity of removing the recoil preventing device," and was therefore a complete anticipation of claim 16 *as obtained in the reissue patent.*

Evidence of the prior public use of the Fyre-Freez extinguisher was introduced before the Master and it was urged that claim 16 would not have been allowed had the patent Examiner been advised of the Fyre-Freez structure; that the claim had been obtained by fraud and that no award of damages should be made. The Master declined to consider this issue of fraud on the ground that the order directing the accounting limited the issue before him to the single question of the amount of damages to be awarded.

Randolph thereupon presented to the United States Court of Appeals for the Third Circuit a petition for leave to file in the District Court a motion to set aside the interlocutory judgment, to amend the pleadings, to set up the defense of estoppel to enforce the patent because of the fraud in obtaining it, and for such other and further relief as might be equitable. The Court of Appeals denied the petition to reopen (199 F. 2d 680).*

In its opinion accompanying the final judgment to which *this* petition is directed, the denial of the petition to reopen is referred to by the Court of Appeals for the Third Circuit as follows:

> "This Court in its opinion denying Randolph's petition for leave to reopen the district court's interlocutory adjudication of the validity of the Mapes patent pointed out that it is limited in scope to the use of a recoil preventing safety device of the type described in the specification of the patent, namely, one which without hindering the escape of gas so diffuses its flow as to prevent recoil." (Petition, App. p-23)

No such limitation is expressed in claim 16 and the claim would not have been allowed by the Patent Examiner had he been advised of the prior public use of the Fyre-Freez extinguisher.

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* Following the denial of this petition a petition for certiorari was presented to this Court asking that the Court of Appeals be required to grant the petition to reopen. This petition was denied 345 U. S. 910.

The Questions Presented

I

Is not a patentee who, over a period of years repeatedly charges that a specific apparatus manufactured by another is an infringement of its patent and who repeatedly offers the alleged infringer a license under said patent to manufacture the accused apparatus *estopped* to assert, in a suit for declaratory judgment that said patent is invalid, that *the same apparatus* is an infringement of a second patent of which no mention was made until after said action was commenced?

II

Should an applicant for a reissue patent seeking broadened claims through reissue be awarded damages for infringement of a broadened reissue claim when the reissue applicant itself had made public use of a device which anticipated the infringed broadened claim more than two years prior to the application for the original patent and *had not disclosed such prior public use to the Examiner?*

Reasons Relied on for Allowance of the Writ

I

The decision of the Court of Appeals in awarding damages to Specialties under its Mapes patent when its charges of infringement throughout the period of the alleged infringement *until after suit was brought,* were limited to its Minor patent, is contrary to the doctrine established by the ruling of this Court in *Railway Co.* v. *McCarthy,* 96 U. S. 258. The question of whether this doctrine applies to patent suits has not been passed upon by this Court, but manifestly should be.

II

The award of damages for infringement of the broadened claim obtained in the reissue patent by leaving the Examiner in ignorance of the prior public use of the Fyre-Freez device is contrary to the ruling of this Court in *Precision Co.* v. *Automotive Co.*, 324 U. S. 806 (1945); *Hazel-Atlas Co.* v. *Hartford Co.*, 322 U. S. 238 (1944); and *Marconi Wireless Co.* v. *U. S.*, 320 U. S. 1 (1943).

III

The questions presented by the petition are of grave public importance involving the administration of the Patent Laws of the United States.

Argument

I

The opinion of the Court of Appeals in support of its final judgment contains only one paragraph dealing with estoppel.

> "Randolph asserts that the defendants are estopped from claiming damages for infringement of the Mapes patent by reason of the defendants' actions in charging it originally with infringement of the Minor patent only. We see no merit whatever in this contention since no basis for an estoppel was established."

This statement is too general to give even an inkling of what elements of estoppel were supposed to be lacking in the facts presented here, but whatever might have been the views of the Court of Appeals, it is plain that the undisputed facts of the case at bar as set out above are precisely on all fours with the facts of *Railway Co.* v. *McCarthy*, 96 U. S. 258 (267, 268):

> "Where a party gives a reason for his conduct and decision touching any thing involved in a controversy,

> he cannot, after litigation has begun, change his ground, and put his conduct upon another and a different consideration. He is not permitted thus to mend his hold. He is estopped from doing it by a settled principle of law. Gold v. Banks, 8 Wend. (N. Y.) 562; Holbrook v. White, 24 id. 169; Everett v. Saltus, 15 id. 474; Wright v. Reed, 2 Durnf & E. 554; Duffy v. O'Donovan, 46 N. Y. 223; Winter v. Coit, 7 id. 288."

The rule of *Railway Co.* v. *McCarthy,* has been applied by this Court and by the Federal Courts throughout the country in many widely differing cases. See, for example:

> *Davis* v. *Wakelee,* 156 U. S. 680, 690;
> *Fruit Growers' Express Co.* v. *Plate Ice Co.,* 59 F. 2d 605, 609 (4 Cir.);
> *Rode & Brand* v. *Kamm Games,* 181 F. 2d 584, 587 (2 Cir.);
> *David J. Joseph* v. *United States,* 82 F. Supp. 345, 351 (U. S. Ct. of Claims).

Its application is not limited to one type of case, nor to the existence of special circumstances.

A litigant who has based his asserted rights on one stated ground, may not, after suit is commenced to adjudicate that issue, shift his position and base his claim on a different ground not previously asserted.

In the case at bar the only claim asserted by Specialties based on the particular models of the portable carbon dioxide fire extinguisher placed on the market by Randolph in 1941 was that they infringed the Minor patent under which the industry generally was licensed. Randolph had investigated the Minor patent and the license setup and had concluded that the patent was invalid and that the license contained illegal restrictions. Randolph sought to settle the claim thus urged against it by Specialties by a declaratory judgment suit, with the fully justified expecta-

tion that an adjudication of the validity of the Minor patent would dispose of Specialties' asserted claim with respect to portable carbon dioxide fire extinguishers then manufactured by it and the manufacture of which had in the years intervening between the first charge of infringement of the Minor patent and the bringing of the suit, grown to a very substantial volume.

We have found only one patent infringement case wherein the doctrine of *Railway Co.* v. *McCarthy,* has been invoked. In that case, *Texas Co.* v. *Gulf Refining Co.,* 26 F. 2d 394, however, the shift in position which plaintiff was estopped to take related to its title to the patent in suit and not to the question of infringement. An authoritative ruling by this Court on the applicability of the doctrine of *Railway Co.* v. *McCarthy,* to infringement issues such as presented here is needed. There is no reason why patentees in enforcing their respective monopolies on their competitors should be given greater leeway in asserting their claims than litigants in other fields.

II

The cases* cited above, page 7, are but typical of the rulings of this Court that a patentee must in procuring his patent and also in seeking enforcement of the monopoly obtained be open and above board in his dealings with the Patent Office, the public and the Courts. Cases where sharp practice is involved present widely varying facts and circumstances, as might be expected in connection with practices of this nature, and the deceptions practiced in the above cases differ in detail from each other and from the facts presented here.

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* *Precision Co.* v. *Automotive Co.,* 324 U. S. 806 (1945); *Hazel-Atlas Co.* v. *Hartford Co.,* 322 U. S. 238 (1944); *Marconi Wireless Co.* v. *U. S.,* 320 U. S. 1 (1943).

The specific question presented here and with respect to which a ruling of this Court is truly needed is whether in the prosecution of a broadened reissue, a patentee should be permitted to ask for a claim *which he knows he is not entitled to* in the hopes that the Examiner does not have the same knowledge of the prior art that he has, and will grant him a claim of a scope which will dominate the industry, should the matters of which he has special knowledge not be discovered.

The Court of Appeals for the Third Circuit justified their refusal to reopen the case on the ground that the broad claim could be salvaged by reading into it limitations from the specification. In our opinion the necessity of so construing the claim emphasizes the fraud which was practiced in obtaining it. The ruling of the Court of Appeals on this question also emphasizes the need of an authoritative ruling of this Court that applicants for patents who play fast and loose with the Patent Office in the prosecution of their applications do so at their peril.

It is perfectly apparent that had the Patent Examiner been informed that the novelty of the Mapes structure lay solely in the substitution of one old type of recoil preventing device for another in an old combination, he would not have allowed a claim covering the combination broadly as a new combination. He might in fact have refused to grant a claim expressly limited as proposed in the Court of Appeals opinion on the ground that no invention was involved *at all* in the substitution which constituted the sole achievement of the patentee.

As stated in the footnote, page 5, we presented a petition for certiorari to this Court when our petition to reopen was denied. That order was merely an interlocutory order and not a final judgment on the merits of the controversy. It may be that this fact was the primary reason for the denial of our former petition. The denial of our former petition, addressed, as it was, to an inter-

locutory order, does not preclude this Court from granting this petition addressed to the final judgment of the Court. *Amer. Const. Co.* v. *Jacksonville Railway*, 148 U. S. 372, 384-5 (1893).

III

The patent here has expired, but the questions presented here upon which a ruling of this Court is sought dealing, as they do, with the conduct of patentees in obtaining their patents and in enforcing their monopolies, are of particular interest to the public and to the proper administration of the patent system. The conduct of the patentee in obtaining and enforcing the patent here in suit which is condoned by the judgment of the Court of Appeals will be tacitly encouraged by a denial of this petition.

CONCLUSION

It is accordingly prayed that a writ of certiorari be granted to consider the two questions presented.

Respectfully submitted,

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